GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:2122
ANSWERED ON:15.03.2002
GROWTH RATE OF CAPITAL GOODS
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) Whether the growth rate of capital goods, consumer durables and Coconut and Coir industry are declining sharply;

(b) If so, the details or growth rate of those items during each of the last two years; and

(c) the reasons for this slow growth rate; and

(d) the remedial action have been taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (DR. RAMAN SINGH)

(a) and (b): There is a declining trend in the growth rates of capital goods and coir industry while consumer durable goods have witnessed a stagnating trend during the last two years. The details of the growth rates (%) during last two years are as below:

Item	1999-2000	2000-01
Capital goods	6.2	1.8
Consumer durables	14.2	14.5
Coconut	-17.9	3.8
Coir fibre	6.6	2.3
Coir yarn	5.4	5.0
Coir products	10.9	10.2

(c): The reasons for the slow growth rate in general are as follows:

- Structural and cyclical factors such as investment and business cycles, Inherent adjustment lags of corporate restructuring, lack of both consumer and investment demand, continued high real interest rates, Infrastructure constraints particularly in power, delays in establishing credible institutional and regulatory framework to provide the requisite comfort level for private participation in some key sectors, and lack of reforms in land and labour markets.

- Continued economic slowdown in countries that are major trading partners of India, viz, USA, Japan, and European Union.

- Poor monsoon during last two years.

- Problem of pests and diseases and competition from cheap refined oils have affected coconut production and the coir industry, especially in Kerala.

(d): The Government has taken several policy initiatives to boost production in all the segments of the industry viz, capital goods, intermediate goods, basic goods and consumer goods sector. These measures have been targeted to improve competitiveness of Indian industry in general and to boost aggregate demand, improve infrastructure base, upgrade technology, introduce labour flexibility and encourage FDI flows. Some of the initiatives taken recently are briefly mentioned below:

- DIPP has proposed to conduct sector-wise studies in respect of capital goods, electrical manufacturing, pulp and paper and cement industries with a view to enhance the competitiveness of these industries.

- Companies Act has been amended to allow` buy-back of shares, by the companies.

- Mid term Export strategy for 2002-07, to lay stress on effective tax rebate schemes to help exporters. These include transparent and comprehensive schemes of reimbursement, comprehensive VAT system at every level, rebating service tax besides lower customs

and excise duties for major inputs needed for exports, which can minimise the need for duty drawback.

- Sector-wise strategies to boost production for exports in key sectors, which include engineering/electronic/electrical and allied, textiles, gems & jewellery, chemicals & allied sector have also been announced.

- One of the thrust areas of the Coconut Development Board is on integrated management of major pests and diseases.

Measures announced in the Union Budget 2002-03.

- To deepen reforms in stock exchanges and to provide protection to the investors, Union Budget 2002-03 proposes amendments in SEBI Act 1992.

- To reduce infrastructure bottlenecks several incentives have been announced for improvement in power, roads, civil aviation and ports.

- Infrastructure equity fund of Rs1000 crore will be set up to help in providing equity investment for infrastructure projects. Total Plan outlay on infrastructure in power, roads and railway is Rs 37919 crores.

- Abolition of 16% special excise duty on all, except eight items.

- Additional 15% depreciation on new plant and machinery.

- Reduction of peak rate of custom duty to 30% w.e.f 1.3.2002 and rationalisation of custom duty rates to two duty rates by 2004-05.

- The reduction in diesel and petrol prices is expected to boost demand for commercial vehicles and automobiles. Besides, the advancement in the completion of the Golden Quadrilateral will help improve commercial vehicles volume.